

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 11079 280849Z

12
ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 L-03 /045 W
----- 041570

R 280808Z JUL 76
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 8044

LIMITED OFFICIAL USE MANILA 11079

PASS USDA FAS STEPHENS/CEP AND WILLIAMS, COT DIV, FMD

STATE FOR ANGEVINE, F&TD

E.O. 11652: N/A
TAGS: EAGR, RP
SUBJECT: COTTON CONTRACT PROBLEM

REF: A. MANILA 0656 B. MANILA 17404

1. THE FOLLOWING IS SUMMARY OF LETTER FROM THE DBP TO AMBASSADOR RE CANCELLATION OF STARKE TAYLOR CONTRACT WITH SOLIDS AND TEXT OF LETTER RE CIEC CONTRACTS WITH YUPANGCO. DBP SENT COPY OF LETTERS TO USDA.

2. RE SOLIDS CONTRACT. LETTER REFERS TO DBP LETTERS TO EMBASSY DATED DECEMBER 3, 1975 AND JANUARY 7, 1976, REF A AND B, AND REFUSAL STARKE TAYLOR TO FULFILL CONTRACT WITH SOLIDS. LETTER REFERS TO FACT DBP AGENCY DESIGNATED BY THE GOP TO CARRY OUT LETTER OF ASSURANCE DATED MAY 7, 1975 AND THAT BANK HAS EXERTED ITS BEST EFFORTS TO FORCE MILLERS TO HONOR PAST DUE CONTRACTS, OF WHICH ONLY 7,744 BALES REMAIN. IN VIEW OF THIS AND QUOTE IN SPIRIT OF COOPERATION, WE EXPECT THE AMERICAN COTTON SUPPLIERS TO NOW MAKE GOOD THEIR OWN COMMITMENTS TO THE PHILIPPINE TEXTILE MILLERS. END QUOTE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 11079 280849Z

3. RE YUPANGCO CONTRACTS. QUOTE. IN LINE WITH OUR LETTER COMMIT-

MENT OF MAY 7, 1975 AND CIEC TELEX DATED DECEMBER 4, 1975, COPY ATTACHED, DBP DESPITE KNOWLEDGE OF STRAINED BUSINESS RELATIONS ARISING FROM THREE SUCCESSIVE SHIPMENT OF INFERIOR QUALITY COTTON BY CIEC TO YUPANGCO WAS ABLE TO CONVINCE YUPANGCO TO OPEN LETTERS OF CREDITS FOR ABOVE CONTRACTS. THE LAST TWO L/CS OPENED BY YUPANGCO WERE ON DECEMBER 15, 1975 AND MARCH 16, 1976. THE SHIPMENT FOR THE FIRST L/C MADE ON JANUARY 25, 1976, PER ATTACHED TELEX DATED JANUARY 28, 1976 OF HARRIS TRUST AND SAVINGS BANK AND LETTER DATED FEBRUARY 7, 1976 OF CIEC, WAS EFFECTED WITHOUT CIEC IMPOSING CARRYING CHARGES THEREON. PARA. THE SECOND SHIPMENT FOR THE SECOND L/C AS OF THIS WRITING HAS NOT HOWEVERN BEEN RECEIVED YET INSPITE OF SEVERAL FOLLOW-UP MADE BY DBP WITH MR. GLENN SAMSON, U.S. AGRICULTURAL ATTACHE AND WITH FIRST NATIONAL BANK OF ATLANTA, COPIES OF WHICH ARE ENCLOSED. CIEC GAVE AS ITS REASON FOR NOT SHIPPING THE COTTON UNDER YUPANGCO'S SECOND L/C YUPANGCO'S FAILURE TO OPEN THE LETTERS OF CREDIT FOR SALES NO. CAG440. SUBSEQUENTLY, IN ITS TELEX OF MAY 24, 1976 CIEC ADVISED DBP THAT IT SHALL SHIP AGAINST THE SECOND L/C ONLY AFTER IT RECEIVES THE L/C FOR THE OLDEST OUTSTANDING CONTRACT (NO. CAG440) COVERING 1,000 BALES, TO WHICH UUPANGCO OBLIGED SUCH THAT DBP AMENDED THE SECOND L/C TO INCLUDE THE 1,000 BALES UNDER CONTRACT NO. CAG440, PER ATTACHED DBP TELEX DATED JUNE 7, 1976 TO FIRST NATIONAL BANK OF ATLANTA. CIEC WAS ACCORDINGLY INFORMED OF SAID AMENDMENT PER ENCLOSED DBP TELEX OF JUNE 7, 1976. ON THE SAME DAY, JUNE 7, 1976, AFTER RELEASING ABOVE TWO TELEXES, WE RECEIVED ATTACHED WIRE FROM CIEC INFORMING DBP OF THE MESSAGE IT SENT ON JUNE 5, 1976 TO JIMENEZ TRADING CO. (NOT CIEC OFFICIAL REPRESENTATIVE IN THE PHILIPPINES), CANCELLING ALL OUTSTANDING CONTRACTS AND REQUESTING CONFIRMATION THEREOF. ON JUNE 11, 1976 DBP TELEXED CIEC OF THE BANK'S DISAGREEMENT TO THE CANCELLATION OF THE REMAINING PAST DUE COTTON CONTRACTS AND INSISTED THAT CIEC EFFECT SHIPMENTS AGAINST THE L/C SINCE YUPANGCO HAS ALREADY OPENED THE NECESSARY L/C FOR SALES CONTRACT NO. 440. PARA. WE HAVE NO OBJECTIONS TO THE CANCELLATION OF THE CONTRACTS NOT COVERED BY L/CS BEFORE JUNE 30, 1976, BUT WE DEFINITLY WOULD WANT CIEC TO AT LEAST MAKE GOOD ITS COMMITMENT UNDER CONTRACT NO. 440, THIS CONTRACT BEING COVERED ALREADY BY AN L/C OPENED BY YUPANGCO. WE EXPECT AND HOPE THAT CIEC WILL BE FAIR AND NOT TAKE UNDUE ADVANTAGE OF THE UPTREND IN COTTON PRICES. PARA. IN VIEW OF THE ABOVE FACTS, WE ARE LODGING THE PHILIPPINE GOVERNMENT'S PROTEST ON THE HIGH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 11079 280849Z

HANDED TREATMENT YUPANGCO COTTON MILLS, INC. IS RECEIVING FROM COTTON IMPORTS AND EXPORT CORPORATION. WE THEREFORE REQUEST YOUR INTERCESSION IN SETTTLING THIS DISPUTE BETWEEN YUPANGCO AND CIEC. END QUOTE.

4. COPIES OF LETTERS AND ATTACHEMENTS AIRPOUCHED TO STATE AND USDA TODAY.

5. COMMENTS. IN VIEW OF HISTORY OF DISPUTE BETWEEN CIEC AND YUGPANGKO, EMBASSY OF THE OPINION WE PROBABLY NOT IN VERY GOOD POSITION TO PRESS HARD FOR CIEC TO HONOR CONTRACTS. HOWEVER, RE STARKE TAYLOR CANCELLATION, BASED ON INFORMATION AVAILABLE TO US, WE BELIEVE WE HAVE A MORAL OBLIGATION TO DPB STRONGLY TO ENCOURAGE STARKE TAYLOR TO HONOR ITS CONTRACTS WITH SOLIDS.

6. WE WOULD LIKE TO REMIND DEPARTMENT THAT SHIPPERS UNILATERALLY CANCELLING CONTRACTS WILL PROBABLY BE BLACKLISTED AND PREVENTED FROM DOING BUSINESS IN THE PHILIPPINES IN THE FUTURE.

7. EMBASSY WOULD APPRECIATE WASHINGTON GUIDANCE IN PREPARING REPLY TO DBP LETTERS.
SULLIVAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COTTON, DISPUTES, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MANILA11079
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760291-0579
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760714/aaaaalvt.tel
Line Count: 129
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 MANILA 656
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUN 2004 by CunninFX>; APPROVED <29 SEP 2004 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COTTON CONTRACT PROBLEM
TAGS: EAGR, RP
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006